

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session **5590**



Introduced by
REPS. KARLO A. B. NOGRALES and JERICO JONAS B. NOGRALES

EXPLANATORY NOTE

The annual budget is the most important legislation that should be timely enacted by Government. It is through this tool that the government delivers basic services and provides public goods to the people. In order to fortify the budget process, there is a need to introduce budget reforms as stated in this proposed bill that will enforce greater accountability in public financial management (PFM).

This proposed bill seeks to modernize the Philippine Budgetary system by establishing holistic, and internationally-established principles encompassing the whole PFM process, the whole public sector, and all PFM institutions.

Significantly, the bill strengthens Congress' power of the purse by enforcing the Constitutional policy that all appropriations must be approved by Congress; and to enable Congress to review and approve proposed appropriations against clearly defined performance information and actual reported performance. It includes the following: (1) tightened rules on the declaration of, and setting limits on the use of, savings; (2) rationalization of Special Purpose Funds, lump sum funds, Special Funds, and Special Accounts in the General Fund; (3) mandatory fiscal, financial, and performance reports by the national government and individual agencies for the examination of Congress; and (4) clearer rules on the re-enactment of prior years' appropriations as well as the preparation and approval of special appropriations.

The passage of this bill will ultimately improve the ability of government to deliver direct, immediate, and substantial services to the people, especially the poor, as well as strengthen government's accountability to the people for its use of public funds. It will likewise establish a comprehensive legal framework on the allocation, use and accounting of public funds.

In view of the foregoing, I hereby urge my fellow legislators to support the immediate passage of this bill.

KARLO A. B. NOGRALES

JERICO JONAS B. NOGRALES

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HOUSE BILL NO. 5590

Introduced by
REPS. KARLO A. B. NOGRALES and JERICO JONAS B. NOGRALES

“AN ACT TO REFORM THE BUDGET PROCESS BY ENFORCING GREATER ACCOUNTABILITY IN PUBLIC FINANCIAL MANAGEMENT (PFM), PROMOTING FISCAL SUSTAINABILITY, STRENGTHENING CONGRESS’ POWER OF THE PURSE, INSTITUTING AN INTEGRATED PFM SYSTEM, AND INCREASING BUDGET TRANSPARENCY AND PARTICIPATION, AND FOR OTHER PURPOSES.”

PART I
PRELIMINARY PROVISIONS

1 **Section 1. *Short Title.*** – This Act shall be known as the “Budget Reform Act of 2017.”

2
3 **Section 2. *Declaration of Policy and Objectives.*** – It is hereby declared the policy of the
4 State to ensure accountability and integrity in the use of public resources by ensuring
5 transparency, fiscal responsibility, results-orientation, efficiency, and effectiveness. This shall
6 be upheld through the establishment of an integrated system of planning, budgeting,
7 management, internal control, accounting, reporting and review of public finances. In light of
8 these requirements, the State shall pursue the following specific objectives:

- 9
10 (a) To enforce the power of Congress to authorize all appropriations and hold
11 government accountable in the use of public resources, as well as the responsibility
12 of all government agencies to propose, execute and deliver committed results in the
13 appropriations acts in a timely, predictable, and economic manner;
14
15 (b) To promote people’s empowerment in the management of public resources by
16 enforcing their right to access information on, and to contribute in the formulation and
17 implementation of, the financial affairs of the government; and
18

- 1 (c) To strengthen the integration of planning, budgeting, and performance management
2 and ensure ample safeguards in managing public finances, including through internal
3 controls, accounting, reporting, and risk management.
4

5 **Section 3. Scope and Coverage.** – The provisions of this Act shall apply to the
6 management of revenues, expenditures, financing arrangements, and assets and liabilities
7 of national government agencies (NGAs), government-owned or -controlled corporations
8 (GOCCs), and local government units (LGUs) to the extent provided herein.
9

10 **Section 4. Definition of Terms.** – The following terms when used in this Act and the
11 implementing rules and regulations (IRR) shall be understood, as follows:
12

- 13 (a) **Allotment** refers to the authorization issued by the Department of Budget and
14 Management (DBM) for releases needing clearance in order for NGAs, GOCCs, or
15 LGUs to incur contractual commitments and disburse funds up to a certain amount,
16 for a specified public purpose, and within a specified period of time, in accordance
17 with the Appropriations Law;
18
19 (b) **Appropriations Law** refers to the legislative authorization for the contractual
20 commitments incurred by NGAs, GOCCs, or LGUs and actual disbursement of Public
21 Funds for specific public purposes covering a specified period of time. This may refer
22 to either a general or special appropriations law;
23
24 (c) **Cabinet** refers to the Executive Secretary and the Secretaries of the Departments
25 under the Executive Branch;
26
27 (d) **Extended Payment Period** refers to the three month period in the following fiscal
28 year when payments can be processed and disbursed for goods and services
29 received by the end of the previous year and such payment shall be chargeable
30 against the Appropriations Law of the previous fiscal year;
31
32 (e) **Fiscal Year** refers to a period of twelve months commencing on January 1 until
33 December 31;
34
35 (f) **Government Agencies** collectively refer to NGAs, GOCCs and LGUs;
36
37 (g) **Government-Owned or -Controlled Corporations** refer to agencies with corporate
38 powers, whether or not organized as a stock or non-stock corporation, vested with
39 functions relating to public needs whether governmental or proprietary in nature, and
40 owned by the Government of the Republic of the Philippines either wholly or, where
41 applicable as in the case of stock corporations, to the extent of at least a majority of
42 its outstanding capital stock. This includes Government Financial Institutions,
43 government corporate instrumentalities and related corporations;
44
45 (h) **Government Financial Institutions** refer to financial institutions in which the
46 government directly or indirectly owns the majority of the capital stock and which are
47 either: (i) registered with, or directly supervised by, the *Bangko Sentral ng Pilipinas*
48 (BSP); or (ii) authorized to collect or transact funds or contributions from the public
49 and place them in financial instruments or assets such as deposits, loans, bonds and
50 equity;
51
52 (i) **Head of Agency** refers to the head of the department or agency in the case of
53 NGAs, the Board of Directors or Trustees in the case of GOCCs as well as certain
54 agencies which are structured as such, and the local chief executive in the case of
55 LGUs;

- 1
2 (j) **Internal Audit** is an independent and objective assurance in NGAs, GOCCs and
3 LGUs which is designed to add value, improve operations and accomplish objectives
4 by bringing in a systematic and disciplined approach to evaluate the effectiveness of
5 risk management, control and governance processes;
6
7 (k) **Local Government Units** refer to provinces, cities, municipalities, and barangays, as
8 well as autonomous regions authorized to be created in the Constitution;
9
10 (l) **National Government Agencies** refer to units of the national government, as
11 distinguished from GOCCs and LGUs, which include any of the departments,
12 bureaus, offices or instrumentalities of the Executive, Judicial and Legislative
13 branches of government, as well as the Constitutional Commissions, and the Office
14 of the Ombudsman;
15
16 (m) **Program/Activity/Project** refers to an item of appropriation in the GAA which refer
17 to any of the following:
18
19 Program – an integrated group of activities that contributes to an agency's continuing
20 objective. These are grouped under 3 main cost structures: General Administration
21 and
22 Support, Support to Operations, and Operations.
23
24 Activity – is a work process that contributes to the fulfillment of a program, sub-
25 program or project.
26
27 Project – is a special agency undertaking within a definite timeframe and which is
28 designed to produce pre-determined goods or services;
29
30 (n) **Proposed National Budget** refers to a financial plan of annual revenue and
31 expenditures to be submitted by the President to Congress that reflect national
32 policies;
33
34 (o) **Public Officials** refer to elective and appointive officials and employees, in a
35 permanent or temporary capacity, whether in the career or non-career service,
36 including military and uniformed personnel, regardless of the rank, form or amount of
37 compensation;
38
39 (p) **Public Funds** refer to the monies of all Government Agencies received, collected,
40 receivable from taxes, fees, charges, penalties, income, dividends, interest earnings,
41 domestic loan proceeds, external loans and grants, proceeds from the sale of assets,
42 that the Government has a legal right to retain and use and shall not include any
43 money received in error;
44
45 (q) **Subsidiary** refers to a corporation where at least a majority of the outstanding capital
46 stock is owned or controlled, directly or indirectly and through one or more
47 intermediaries, by a GOCC; and
48
49 (r) **Treasury Single Account (TSA)** refers to the account maintained by the Bureau of
50 the Treasury with the BSP or agent bank for a unified structure of government bank
51 accounts to enable consolidation and optimum utilization of government cash
52 resources.
53

1 In this Act, the singular may be read as the plural and the plural may be read as the
2 singular, as the context requires.

3
4
5
6 **PART II**
7 **ADDITIONAL ROLES AND RESPONSIBILITIES**

8
9 **Section 5. Congress.** – The Congress shall, in addition to its powers under the Constitution
10 and existing laws, perform the following:

- 11
12 (a) Monitor and review government performance against the requirements of
13 appropriations and related laws, and hold Government Agencies accountable for
14 their financial and non-financial performance;
15
16 (b) Review reports on planned and actual performance, including the Statement of Fiscal
17 Policy, the Medium Term Fiscal Strategy, fiscal reports, annual plans of government
18 agencies, periodic and annual reports on government performance and performance
19 of government agencies; and
20
21 (c) Consider the consolidated annual financial statements of government prepared by
22 the Office of the Comptroller General (OCG) and the audited government agency
23 reports by the COA.

24
25 Congress shall undertake the foregoing through any of its existing committees, support
26 offices or one created for the purpose to strengthen the oversight role of Congress.

27
28 **Section 6. President.** – The President shall, in addition to his/her powers under the
29 Constitution and existing laws, perform the following:

- 30
31 (a) Approve the Statement of Fiscal Policy, and the Medium-term Fiscal Strategy for
32 submission to Congress;
33
34 (b) Approve the Budget Priorities Framework to identify the priority areas for
35 government spending and guide the budget preparation exercise; and
36
37 (c) Authorize changes in the functional, operational and organizational structure within
38 and among the DBM, Department of Finance (DOF), and National Economic and
39 Development Authority (NEDA), as may be necessary, to ensure the effective
40 implementation of this Act.

41
42 **Section 7. Office of the Comptroller General.** – To enhance the management of public
43 finances, there is hereby created an OCG under the supervision and control of the Office of
44 the President (OP) which shall perform the following functions:

- 45
46 (a) Monitor the performance of the annual cash appropriations of NGAs in terms of in-
47 year and end-of-year appropriation reports that compare disbursements to
48 appropriations;
49
50 (b) Formulate measures on effective internal controls including internal audit, for the
51 implementation by Heads of Government Agencies, to ensure the integrity, accuracy,
52 completeness, and reliability of government financial and management systems;
53
54 (c) Oversee the operation of an integrated internal control framework across
55 Government Agencies;

- 1
2 (d) Oversee the implementation of, and Government Agencies' compliance with,
3 accounting and auditing rules and regulations promulgated by the COA;
4
5 (e) Oversee and manage the financial reporting of Government Agencies, including (1)
6 to monitor the periodic and annual management and financial accounts with regard to
7 accuracy, timeliness, completeness, and compliance with this Act, standards, rules
8 and regulations; and (2) to consolidate the financial reports for submission to the
9 President, Congress, and COA;
10
11 (f) Oversee the operationalization of an integrated financial management information
12 system;
13
14 (g) Formulate competency-based human resource policies for positions in PFM and
15 oversee the capacity development requirements on PFM formulated by the OCG and
16 other agencies;
17
18 (h) Coordinate with counterpart agency officials to ensure compliance with the foregoing
19 functions; and
20
21 (i) Perform such other functions as may be necessary to properly implement the
22 provisions under this Section.
23

24 The OCG shall be headed by the Comptroller General who shall be of the same rank as
25 a Secretary, and with the structure and staff complement as may be approved by the DBM.
26 The Heads of Government Agencies shall designate a Comptroller in their respective offices
27 to oversee the implementation of the above-mentioned functions at the agency level in
28 coordination with the Comptroller General.
29

30 **Section 8. Commission on Audit.** – The COA shall, in addition to its powers under the
31 Constitution and existing laws, coordinate with the OCG for the proper enforcement of timely
32 accounting and reporting of public finances.
33

34 **Section 9. Department of Budget and Management.** – The DBM shall, in addition to its
35 mandates and functions under existing laws, perform the following:
36

- 37 (a) Prepare, in coordination with the agencies concerned, DOF, NEDA and OP in the
38 Development Budget Coordination Committee (DBCC), the Statement of Fiscal
39 Policy, the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the
40 Mid-year and Annual Fiscal Reports as required in this Act;
41
42 (b) Monitor and evaluate the financial and non-financial performance of NGAs;
43
44 (c) Evaluate and review the financial and non-financial performance of GOCCs with
45 special laws and charters, in coordination with the DOF and the Governance
46 Commission for GOCCs (GCG), and approve the annual corporate operating
47 budgets (COBs) of the GOCCs;
48
49 (d) Monitor and review, together with the Bureau of Local Government Finance (BLGF)
50 under the DOF and Department of the Interior and Local Government (DILG), the
51 financial and non-financial performance of LGUs; and
52
53 (e) Assess, together with the BLGF under the DOF and DILG, the PFM systems of LGUs
54 and assist them in designing and implementing PFM improvement measures.
55

1 To ensure the effective formulation and execution of fiscal policies, the Secretary of
2 Budget and Management shall lead the DBCC, with the Secretary of Finance, the Director
3 General of the NEDA Secretariat and a representative from the OP as members, and the
4 Governor of the BSP as resource person.

5
6 **Section 10. Department of Finance.** – The DOF shall, in addition to its mandates and
7 functions under existing laws, perform the following:

- 8
9 (a) Monitor and manage fiscal risks to the government, including those from public-
10 private partnerships;
11
12 (b) Compile and publish government fiscal statistics in accordance with international
13 standards; and
14
15 (c) Formulate policies and standards for the acquisition and management of fixed assets
16 by NGAs.

17
18 The Bureau of the Treasury (BTr) shall, in addition to its mandates and functions under
19 existing laws, perform the following:

- 20
21 (a) Manage the TSA maintained at the BSP or an agent bank, with the prior approval of
22 the Secretary of Finance;
23
24 (b) Put in place arrangements for the execution of duly authorized payments from the
25 TSA, which may include the appointment of banks to operate as agents of the
26 National Government with the prior approval of the Secretary of Finance;
27
28 (c) Manage the financial assets and liabilities of the government, including: (i) banking
29 arrangements for, and bank accounts of, the government; (ii) hedging and other risk
30 management activities associated with debt management, cash management and
31 financial investment; (iii) appointment of dealers, assets managers and other agents
32 to support debt, cash and investment management activities; (iv) maintenance of an
33 accurate record of the stock and flow of financial assets and liabilities; (v) tracking
34 and reporting on fiscal risks related to the management of financial assets and
35 liabilities; and (vi) preparation of in-year disbursement reports based on the TSA for
36 submission to the OCG.
37
38 (d) Issue instructions on the management and recording of financial assets and liabilities
39 of the government;
40
41 (e) Authorize the opening and closing of bank accounts of NGAs;
42
43 (f) Assist the NGAs in providing credible cash forecast for timely and accurate cash
44 programming;
45
46 (g) Administer the release of cash requirements covering all types of transfers to LGUs;
47 and
48
49 (h) Establish and maintain a consolidated registry of fixed assets of the National
50 Government.

51
52 **Section 11. National Economic and Development Authority.** – The NEDA shall, in
53 addition to its mandates and functions under existing laws, perform the following:
54

- (a) Coordinate with the Regional Development Councils (RDCs), on the formulation of regional development plans and policies that are consistent with the established national priorities;
- (b) Coordinate the formulation and implementation of an annual and medium-term public investment program consistent with the approved Medium-term Fiscal Strategy and in the context of the preparation of the National Budget;
- (c) Set standards for Government Agencies in proposing, assessing, monitoring and evaluating development policies, plans and projects including those financed by grants and concessional loans; and
- (d) Assist and support the capacity building of RDCs and LGUs in development planning and investment programming.

Section 12. Heads of Government Agencies. – The heads of NGAs, GOCCs and LGUs shall, in addition to responsibilities provided under existing laws, be responsible for the following:

- (a) Keep the DBM and DOF informed of significant changes, issues, and risks that could impact on the finances of the government;
- (b) Participate in the processes to develop the Medium-term Fiscal Strategy, the Budget Priorities Framework, and the Proposed National Budget as required by the DBM;
- (c) Manage their respective agencies, including GOCCs, and other resources placed under their supervision, in an efficient, effective and economic manner in order to deliver the outputs and attain the outcomes set in their respective budgets;
- (d) Monitor the physical and financial implementation of their programs, activities and projects;
- (e) Take appropriate measures to ensure that cash disbursements and contractual commitments do not exceed the amounts appropriated in their respective budgets;
- (f) Ensure that their respective agencies settles all contractual commitments or approves payment thereon within the time prescribed by law;
- (g) Institute effective and efficient management systems, procedure and practices for assets, liabilities, and personnel, including internal controls, risk management, and performance review;
- (h) Demonstrate that due regard has been taken on the recommendations provided in internal and external audit evaluation reports, to the extent authorized in their respective budgets;
- (i) Provide credible cash forecast for timely and accurate cash programming; and
- (j) Provide accounting and reporting of public finances through the integrated financial management information system and/or other preparatory online information systems as required in this Act.

Section 13. Capacity Development Requirements on Public Financial Management. – The foregoing agencies shall continue to formulate capacity development requirements on PFM and conduct trainings on the same. In this regard, the OCG shall oversee the

1 formulation of the said capacity development requirements to ensure alignment of the
2 objectives.

3
4
5 **PART III**
6 **FISCAL RESPONSIBILITY**
7

8 **Section 14. *Fiscal Responsibility Principles.*** – The State shall pursue its policy objectives
9 in accordance with the following Fiscal Responsibility Principles:

- 10
11 (a) Implement fiscal policies and strategies consistent with the achievement of
12 macroeconomic stability and inclusive economic development;
13
14 (b) Manage resources in a fiscally and environmentally sustainable way;
15
16 (c) Maintain prudent levels of public debt;
17
18 (d) Maintain an appropriate balance between government revenues and expenditures;
19 and
20
21 (e) Manage fiscal risks in a prudent manner.

22
23 **Section 15. *Statement of Fiscal Policy.*** – The DBM, in coordination with DOF, NEDA and
24 OP in the DBCC, shall prepare, subject to the approval of the President, the Statement of
25 Fiscal Policy which shall contain measurable medium-term macroeconomic and fiscal
26 objectives and forecasts consistent with the Fiscal Responsibility Principles and the Long-
27 Term Vision Report.

28
29 The President shall submit for information of Congress, the Statement of Fiscal Policy not
30 later than ninety (90) days upon commencement of his/her term of office and update the
31 measurable fiscal objectives set forth therein three (3) years thereafter.

32
33 **Section 16. *Medium-term Fiscal Strategy.***– The DBM, in coordination with the DOF,
34 NEDA, and OP in the DBCC, shall prepare, subject to approval of the President, a Medium-
35 term Fiscal Strategy and its annual updates. The Strategy and its updates shall be
36 consistent with the approved Statement of Fiscal Policy and Long-Term Vision Report. It
37 shall include a summary of the fiscal policies for revenue, debt, deficit, expenditure, and
38 fiscal risk management, supported by a medium-term fiscal sustainability analysis,
39 consistent with the measurable fiscal objectives established in the approved Statement of
40 Fiscal Policy. The IRR of this Act shall detail the other specifications for the Medium-term
41 Fiscal Strategy and its updates.

42
43 The President shall submit for the information of Congress, the Medium-term Fiscal
44 Strategy for the following fiscal year not later than March 15 of the current year and shall
45 publish the said report on a government website not later than seven (7) days after it is
46 submitted to Congress.
47

1 **Section 17. Fiscal Reports.** – The DBM, in coordination with the DOF, NEDA, and OP in
2 the DBCC, shall produce a Mid-year Fiscal Report (MFR), covering the first half of the
3 current fiscal year and an Annual Fiscal Report (AFR) on the government's macroeconomic
4 and fiscal performance covering the preceding fiscal year.

5
6 The MFR and AFR shall include information on macroeconomic and fiscal outturns for
7 the period covered as compared against forecasts and objectives stated in the Medium-term
8 Fiscal Strategy; as well as reporting on budget execution, at least in the aggregate and by
9 agency level, compared against approved appropriations and other spending authorities.
10 The IRR of this Act shall detail the other specifications for the contents of the MFR and AFR.

11
12 The President shall submit the MFR to Congress not later than September 30 of each
13 year while the AFR shall be submitted together with the Proposed National Budget. Said
14 reports shall be published on a government website not later than seven (7) days after they are
15 submitted to Congress.

16
17 **Section 18. Long-term Vision Report.** – The NEDA, in coordination with the DOF, DBM
18 and OP in the DBCC, shall submit a Long-term Vision Report to the President and Cabinet,
19 and Congress not later than October 31 and November 30, respectively. Said Report shall
20 assess the long-term sustainability of existing government policies over the next twenty-five
21 (25) years, taking into account demographic, environmental, and other changes.

22
23 The first Long-term Vision Report shall be submitted to the President and Cabinet, and
24 Congress within two (2) years from the effectivity of this Act, to be updated every six (6)
25 years thereafter.

26 The NEDA shall cause the publication of the Long-term Vision Report on a government
27 website not later than seven (7) days upon submission to Congress.

28 **Section 19. Deviations from Fiscal Objectives.** – The government may deviate from the
29 medium-term fiscal objectives in the approved Statement of Fiscal Policy on a temporary
30 basis, where such deviation is due to a major natural disaster, unanticipated severe
31 economic shock, or other significant unforeseeable event that cannot be accommodated
32 through accessing the Contingent Fund and/or the National Disaster Risk Reduction and
33 Management Fund, as may be applicable or prudent fiscal policy adjustments, or the use of
34 other flexibilities provided in this Act.

35
36 The President shall submit a report to the Congress, stating the reasons for any such
37 deviations, the plans and the expected time to address such deviations, as part of the
38 succeeding Medium-term Fiscal Strategy or its annual update, or in the Mid-year or Annual
39 Fiscal Report, whichever is the next report due and within the prescribed period under this
40 Act.

41 **Section 20. Shared Fiscal Discipline.** – All proposed revenue eroding and expenditure bills
42 shall include a Financial and Budgetary Information Sheet upon filing of the bill containing an
43 estimate of the financial and budgetary implications of said proposal for the initial year of
44 implementation and the next five (5) years. Expenditure bills refer to those which will result in
45 a reduction of revenue collections or an increase in national government expenditures,
46 including those mandating the creation of recurring expenditures.

47 Each House of Congress shall provide guidelines prescribing the form, content of
48 the Financial and Budgetary Information Sheet, as well as the appropriate offices from which
49 such information shall be acquired, and the implications of non-compliance with said
50 submission.

PART IV
BUDGET PREPARATION, EXECUTION, AND ADJUSTMENT

Section 21. Governing Principles in Budget Preparation. – There is hereby established a set of governing principles to be observed by the NGAs, GOCCs, and LGUs in the preparation of their annual budget proposals, and by the DBM in the preparation, and the presentation to Congress, of the Proposed National Budget:

- (a) Cash-based estimates shall be adopted in the proposed general and special appropriations bills to promote faster and more effective delivery of services;
- (b) The overall expenditure program of the government for a given fiscal year shall be included, identifying those requiring approval by Congress and those authorized under existing laws;
- (c) All sources of funds and authorized uses available to the agency shall be considered in the evaluation of agency proposals and determination of agency budget levels, and shall likewise be disclosed in the Proposed National Budget and reports;
- (d) Evaluation of agency proposals may include the analysis of a development plan, master plan or road map, agency capability as demonstrated by previous years' performance, its contribution to projects and activities of other agencies, utilization of funds appropriated or released, and such other criteria as may be determined by the DBM. The performance shall be evaluated based on the actual disbursements and contractual commitments as compared to the appropriations;
- (e) All appropriations shall be valid for one fiscal year i.e., from the effectivity of the appropriations act until the end of the fiscal year concerned with no provision for carryover, except for a three month Extended Payment Period in the following fiscal year to allow agencies to settle payments for goods and services delivered during the previous fiscal year;
- (f) Items of appropriations shall be presented in such a way as to identify both the entity responsible for the expenditure and the intended results from the use of the appropriation in order to evaluate the performance of the agency;
- (g) Both the financial and non-financial performance of agencies shall be presented in the Proposed National Budget and the General Appropriations Act to ensure a performance-informed budget; and
- (h) Items of appropriations shall be reflected by department, agencies, bureaus, and offices, and shall be presented for information purposes, by region and province, and eventually, by city or municipality.

Section 22. Planning-Budgeting Linkage. – Development strategies identified in the Philippine Development Plan (PDP) shall be a primary consideration in the formulation of the budget priorities framework. These shall also be the basis for drawing up strategic and prioritized programs and projects in the multi-year public investment program, which in turn will be considered in the formulation of the annual agency budgets that conform to the annual budget ceilings approved by the President.

The implementation of programs and projects funded under the annual agency budgets shall be monitored to ensure economy, efficiency, and effectiveness in the use of public funds. Monitoring and evaluation of these projects shall cover, among others, the planned

1 and actual performance of agencies, citing reasons for deviation and/or poor absorptive
2 capacities. The results of the project evaluation shall inform the assessment of subsequent
3 plans and budget proposals of agencies.

4
5 **Section 23. Budget Priorities Framework.** – The DBM, in coordination with the DOF,
6 NEDA and OP in the DBCC, shall present to the President and Cabinet, on or before April of
7 each year, a Budget Priorities Framework which shall guide the formulation of the Budget for
8 the following year by containing the medium-term fiscal strategy and targets underlying the
9 budget; the priority areas for government spending reflected in the PDP, estimated amount
10 and planned allocation of the fiscal space; and other requirements laid down in the IRR.

11
12 **Section 24. The Budget Preparation Process.** – The DBM shall determine the budget
13 preparation process and calendar. The budget preparation process shall cover: (i) NGAs; (ii)
14 GOCCs with respect to their impact on revenues, expenditures, assets, and liabilities and
15 risks of the government; and (iii) LGUs as to their impact on revenues and expenditures of
16 the government.

17
18 **Section 25. The Proposed National Budget.** – The President shall submit to Congress, not
19 later than thirty (30) days from the fourth Monday of July of every year, the Proposed
20 National Budget, which shall be the basis of the General Appropriations Bill.

21
22 The President shall determine the form and content of the Proposed National Budget
23 which shall include, but not limited, to the following:

- 24
25 (a) President's Budget Message –provides a preview of the Proposed National Budget,
26 explaining the principles, objectives and policy framework adopted and the spending
27 priorities for the fiscal year;
28
29 (b) Budget of Expenditures and Sources of Financing (BESF) –contains the
30 macroeconomic parameters; dimensions of three-year (3-year) expenditure program,
31 revenues, financing, and outstanding debt; overview of the financial positions of
32 GOCCs, LGUs, and public-private partnership projects, as well as the other items
33 listed in the IRR;
34
35 (c) National Expenditure Program (NEP) – includes the strategic objectives, details of
36 the three-year (3-year) expenditure program, performance information, such as key
37 strategies, outputs and outcomes for agencies in relation to their budgets, and
38 staffing summary;
39
40 (d) Fiscal Risk Statement – presents a consolidated statement of the fiscal risks that the
41 national government faces, including those from the contingent liabilities of
42 Government Agencies and other items listed in the IRR.

43
44 As required under Section 17 of this Act, the President shall likewise submit for
45 consideration of Congress, the Annual Fiscal Report for the preceding fiscal year not later
46 than the abovementioned date, and the Mid-year Fiscal Report for the current year not later
47 than September 30 of every year.

48
49 Congress may not increase the appropriations recommended by the President for the
50 operations of government as specified in the Proposed National Budget.

1
2 The President shall publish the Proposed National Budget on a Government website on
3 the same day as it is presented to Congress.
4

5 **Section 26. Program Classification.** – The Proposed National Budget shall adopt a
6 structure based on a program classification that groups line items under the objectives or
7 outcomes to which they contribute to. Performance information shall be provided for each
8 program to facilitate the evaluation of the cost effectiveness of the programs and provide
9 better information for analysis and feedback for planning and prioritization of expenditures.
10

11 **Section 27. Lump Sum Appropriations.** – To promote the transparent and detailed
12 disclosure of all proposed government spending, lump sum appropriations and special
13 purpose funds (SPFs) in the Proposed National Budget shall be limited to: (1) the National
14 Disaster Risk Reduction and Management Fund (NDRRMF); (2) the Contingent Fund; (3)
15 Statutory Shares of LGUs; and (4) other SPFs not falling under any of the preceding
16 purposes and the details of which could not be determined during the budget preparation
17 stage.
18

19 **Section 28. National Disaster Risk Reduction and Management Fund.** – The NDRRMF
20 shall be used for: (1) disaster risk reduction or mitigation, prevention and preparedness
21 activities, such as, but not limited to, training of personnel, procurement of equipment, and
22 capital expenditures; and (2) relief, recovery, reconstruction and other work or services in
23 connection with natural or human induced calamities which may occur during the budget
24 year or those that occurred in the preceding two (2) years.
25

26 The NDRRMF may include the Quick Response Fund (QRF) of agencies, which shall be
27 used as a standby fund in order that the situation and living conditions of people in
28 communities or areas stricken by calamities, epidemics, crises, and catastrophes may be
29 normalized as quickly as possible. The QRF shall be released directly to the agencies
30 concerned upon approval of the DBM.
31

32 Releases from the NDRRMF, other than the QRF, shall be subject to the prior approval of
33 the President, who may take into consideration the recommendation of the National Disaster
34 Risk Reduction and Management Council and the appropriate agency for local and
35 international disasters and calamities.
36

37 **Section 29. Contingent Fund.** – The Contingent Fund shall cover the funding requirements
38 of new and/or urgent projects and activities of national government agencies and GOCCs
39 that need to be implemented or paid during the year, such as, legal obligation of the
40 government arising from final and executory decisions by competent authority, including
41 arbitration awards, mediation settlement, or compromise agreements, requirements of newly
42 created offices, or deficiencies in the appropriations for local and external travels of the
43 President of the Philippines.
44

45 Releases from the Contingent Fund shall be subject to approval by the President of the
46 Philippines, other than payment resulting from final and executory decisions promulgated by
47 competent authorities, which shall be subject to approval by the DBM.
48

49 The DBM shall inform Congress of all releases from the Contingent Fund in the quarterly
50 and annual fiscal reports including information on the date of release, the amount covered,
51 corresponding purpose/s and recipient agency.

1
2 **Section 30. Statutory Shares of Local Government Units.** – The shares of LGUs in the
3 proceeds from national taxes and other transfers to LGUs authorized by law shall be
4 released to the LGUs in accordance with the provisions on the use, allocation, and release
5 of the funds as may be provided in pertinent laws, rules and regulations.
6

7 **Section 31. Unprogrammed Appropriations.** – Congress may authorize standby
8 appropriations to cover the funding requirements of other priority projects and activities or
9 contingencies, as well as provide appropriations cover for foreign-assisted projects (FAPs)
10 not specifically included in the programmed component of the Appropriations Law. The
11 Unprogrammed Appropriations shall have the same level of details as in the programmed
12 component of the Appropriations Law. The amount authorized under the Unprogrammed
13 Appropriations shall not exceed two percent (2%) of the total proposed expenditure in the
14 programmed component of the Appropriations Law.
15

16 The Unprogrammed Appropriations shall take effect only when supported by excess
17 collections generated in any one of the particular tax or non-tax revenue source from its
18 corresponding revenue collections target in the BESF as certified by the BTr, or when there
19 are new loan agreements for FAPs. In no case shall the Unprogrammed Appropriations be
20 activated or released when there is a risk of breaching the measurable fiscal objectives for
21 the budget balance (including a deficit) or debt for the financial year or future years as
22 provided in the Statement of Fiscal Policy and Medium-term Fiscal Strategy or if there is a
23 risk of breaching any of the Fiscal Responsibility Principles.
24

25 Priority projects and activities or contingencies shall pertain to expenditures, the payment
26 of which are not covered under the Contingent Fund and could not be delayed until the
27 succeeding budget years without harming public interest or arising from the government's
28 legal obligation such as compliance with a government guarantee or settlement of final and
29 executory decisions by competent authorities.
30

31 Releases from the Unprogrammed Appropriations shall be subject to the prior approval
32 of the President of the Philippines, other than final and executory decisions, which shall be
33 subject to approval of the DBM.
34

35 The DBM shall inform Congress of all releases from the Unprogrammed Appropriations
36 in the quarterly and annual reports including information on the date of release, the amount
37 covered, corresponding purpose/s and recipient agency.
38

39 **Section 32. Budget with Account Codes.** – All items of appropriations in the
40 Appropriations Law shall be given account codes pursuant to the Unified Account Code
41 Structure that applies to all the assets, liabilities, equities, income, and expenses of the
42 government. This account code structure shall be used in the release of the appropriations in
43 the Appropriations Law for a unified accounting, auditing and reporting of all the financial
44 transactions of the government.
45

46 **Section 33. Re-enacted Budget.** – If, by the end of any fiscal year, Congress shall have
47 failed to enact the General Appropriations Bill for the ensuing fiscal year, the General
48 Appropriations Law for the preceding fiscal year shall be deemed re-enacted and shall
49 remain in force and effect until the said General Appropriations Bill is passed by the
50 Congress.
51

52 Consistent with the Fiscal Responsibility Principles, the Re-enacted Budget shall be
53 enforced as follows:

1 (a) The aggregate level of the Re-enacted Budget shall be limited to the total amount
2 appropriated in the preceding year's Appropriations Law, but shall in no case exceed
3 the level of the sources of financing under the BESF of the Proposed National
4 Budget;

5
6 (b) The appropriations for the following shall be limited to the amount authorized under
7 the Re-enacted Budget, but in no case exceed the amount proposed by the President
8 in the Proposed National Budget:

- 9
10 1. Ongoing programs, projects and activities;
11 2. Personnel benefits, including retirement gratuities, pensions, terminal leave
12 pays and related expenses;
13 3. NDRRMF, Contingent Fund, Statutory Shares of LGUs, and other SPFs; and
14 4. Budgetary support to GOCCs for their operational requirements.

15
16 (c) In no case shall the following be considered part of the Re-enacted Budget:

- 17
18 1. Completed programs, projects and activities funded in the General
19 Appropriation Law for the preceding fiscal year;
20 2. Budgetary support for GOCCs for support to programs, activities or projects;
21 and
22 3. Equity contribution of the National Government to GOCCs.

23
24 The items and/or amount of appropriations not covered under the Re-enacted Budget as
25 provided above shall not be released, disbursed, or utilized for the purpose previously
26 authorized.

27
28 The DBM shall issue guidelines on the aggregate and agency levels of appropriations
29 authorized under the Re-enacted Budget in accordance with the foregoing, supporting
30 requirements to determine actual needs, and other pertinent rules in the implementation of
31 the Re-enacted Budget.

32
33 Upon enactment of the General Appropriations Law anytime during the current fiscal
34 year, all releases under a Re-enacted Budget consistent with this Section shall be deemed to
35 have been implemented pursuant to, and charged against, for account recording purposes,
36 the General Appropriations Law for the current fiscal year.

37
38 **Section 34. Special Appropriations Bill.** – A Special Appropriations Bill is a proposal
39 submitted by the President, as recommended by the DBM, before Congress to provide
40 authorization for expenditures for a specific purpose not included or not covered under the
41 annual appropriations laws. It shall specify the purpose/s for which it is intended and be
42 valid until the end of the fiscal year of its enactment.

43
44 A Special Appropriations Bill shall be supported by funds actually available or those
45 which are not included in the fiscal year's sources of financing under the BESF as certified
46 by the National Treasurer, or to be raised by a corresponding revenue measure proposed
47 therein. The amount to be authorized by Congress in a Special Appropriations Bill may be
48 more than that originally proposed for as long as the same is supported by any or a
49 combination of the above sources and is consistent with the Fiscal Responsibility Principles
50 and the Medium-term Fiscal Strategy. A Special Appropriations Bill may only be proposed
51 after the passage of the General Appropriations Law, except for the following: (1) disaster-
52 related purposes; (2) urgent projects and/or activities; and (2) unforeseen requirements of
53 the government.
54

1 A Special Appropriations Bill may likewise refer to a proposal submitted by the President,
2 as recommended by the DBM, before Congress for additional appropriations for existing or
3 new programs, activities or projects of an NGA or GOCC with fast in-year disbursement rate.
4 In this case, the bill may be supported by the current fiscal year's sources of financing as
5 certified by the National Treasurer due to reversion of funds of NGAs or GOCCs resulting
6 from slow implementation of programs, activities or projects.
7

8 **Section 35. Release and Expenditure of Public Funds.** – The government shall
9 commence releases of Public Funds covered by an Appropriations Law as soon as such
10 Law comes into force to ensure timely and efficient disbursement by the appropriate
11 implementing agencies, subject to pertinent budgeting and auditing rules and regulations.
12 Upon the implementation of cash-based appropriations, the Appropriations Law shall be
13 considered the authority of the agencies to contract out and disburse funds, except for
14 instances provided in the IRR.
15

16 **Section 36. Availability of Cash-Based Appropriations.** – All appropriations shall be
17 available for release, contractual commitment and disbursement until the end of the fiscal
18 year. However, Government Agencies may still disburse funds not later than the three (3)
19 months Extended Payment Period from the end of the fiscal year for goods or services which
20 have already been delivered or rendered within the fiscal year. Said payments shall be
21 chargeable against the authorized appropriations of the said preceding fiscal year.
22

23 **Section 37. Multi-year Contracts.** – The DBM shall identify the requirements and/or
24 prescribe guidelines before agencies may enter into multi-year contracts such as the
25 issuance of a Multi-year Contractual Authority (MYCA).
26

27 In the case of GOCCs, they shall secure prior authority from their respective governing
28 boards before entering into multi-year contracts.
29

30 For solicited multi-year Public-Private Partnership projects approved under Republic Act
31 (R.A.) No. 6957, as amended by R.A. No. 7718, the National Government responsibility shall
32 be covered by a letter of commitment issued in accordance with the guidelines issued by the
33 DBM.
34

35 In all instances, the disbursements to be incurred for multi-year contracts shall in no case
36 exceed the cash appropriations for the purpose during the year. Procurement of multi-year
37 projects shall be subject to the provisions of R.A. No. 9184 and its IRR and the guidelines
38 issued by the Government Procurement Policy Board (GPPB).
39

40 **Section 38. Early Procurement Activities.** – To ensure full budget utilization, timely
41 contract implementation and efficient delivery of services, agencies are authorized to
42 undertake procurement activities from pre-procurement conference until post-qualification of
43 bids based on their proposed budget in the NEP, COBs or Appropriations Ordinance, in
44 accordance with the guidelines issued by the GPPB.
45

46 For multi-year projects, the issuance of a MYCA by the DBM is required prior to
47 commencement of any procurement activity. All existing Multi-Year Obligational Authority
48 shall be understood to refer to MYCA.
49

50 Agencies may only proceed with the awarding of contract upon approval or enactment of
51 their respective appropriations or budget authorization document, as the case may be, and
52 based on the amount authorized therein.
53

1 **Section 39. Impoundment of Appropriations.** – The President of the Philippines, upon
2 recommendation of the DBM may propose the rescission of appropriations from both houses
3 of Congress, under any of the following:
4

5 (a) If the appropriations are no longer required to fulfill the objectives originally sought to
6 be achieved by the programs, activities and projects covering the same; or

7 (b) In case of an unmanageable National Government budget deficit.

8 Unmanageable National Government budget deficit as used in this section shall be
9 construed to mean that: (i) the actual National Government budget deficit has exceeded the
10 quarterly budget deficit targets consistent with the full-year target deficit as indicated in the
11 BESF submitted by the President to Congress pursuant to Section 22, Article VII of the
12 Constitution; or (ii) there are clear economic indications of an impending occurrence of such
13 condition, as determined by the DBCC and approved by the President.
14

15 Both Houses of Congress shall act on the proposed rescission within forty-five (45) days
16 after the receipt of the impoundment proposal from the President by issuing a joint
17 Impoundment Resolution. Within the same period of forty-five (45) calendar days, the
18 appropriations covered by the Impoundment Proposal shall not, in any way, be rescinded in
19 relation to the purposes and objectives for which it was appropriated. Congressional inaction
20 after the 45-day period, is equivalent to an approval of the impoundment proposal.
21

22 Impounded funds shall revert to the National Treasury and shall not thereafter be
23 available for expenditure except by subsequent legislative enactment.
24

25 **Section 40. Authority to Declare and Use Savings.** – The President of the Philippines, the
26 President of the Senate of the Philippines, the Speaker of the House of Representatives, the
27 Chief Justice of the Supreme Court, the Ombudsman, the Heads of the Civil Service
28 Commission, the Commission on Elections, and the COA are hereby authorized to declare
29 and use savings in their respective appropriations to augment actual deficiencies incurred for
30 the current year in any item of their respective appropriations. An item of appropriation shall
31 pertain to the amount appropriated for a program, activity or project in the Appropriations
32 Law. In the case of programs with several activities and/or projects, each activity and/or
33 project shall be considered an item of appropriation.
34

35 The foregoing constitutional officers authorized to use savings shall be responsible for
36 ensuring that a semestral and annual report on their respective use of savings shall be
37 submitted to the President of the Senate of the Philippines and the Speaker of the House of
38 the Representatives, copy furnished the DBM. The report shall indicate among others, the
39 amount of savings generated, the sources and grounds used therefor, and the existing
40 program, activity or project in their respective appropriations augmented. They shall likewise
41 ensure that said reports are posted on their respective websites.
42

43 The DBM shall determine the procedure, as well as the supporting documents needed in
44 the declaration and use of savings authorized in this Act.
45

46 **Section 41. Meaning of Savings.** – Savings refer to portions or balances of any released
47 appropriations in this Act which have not been obligated as a result of any of the following:
48

49 (a) Completion, final discontinuance, or abandonment of a program, activity or project for
50 which the appropriation is authorized; or

51
52 (b) Implementation of measures resulting in improved systems and efficiencies and thus
53 enabled an agency to meet and deliver the required or planned targets, programs
54 and services approved in this Act at a lesser cost.

1
2 In case final discontinuance or abandonment is used as basis in the declaration of
3 savings, such discontinued or abandoned program, activity or project shall no longer be
4 proposed for funding in the next two (2) fiscal years.

5
6 Allotments that were not obligated due to the fault of the agency concerned shall not be
7 considered savings.

8
9 **Section 42. Rules on Augmentation.** – Augmentation is the act of the constitutional officers
10 authorized to use savings in their respective appropriations to cover a deficiency in any
11 existing program, activity or project within their respective offices. A deficiency in a program,
12 activity or project may result from:

13
14 (a) Unforeseen modifications or adjustments in the program, activity or project; or

15 (b) Re-assessment in the use, prioritization and/or distribution of resources.

16 The particulars of the expenditures to be funded from savings should be within the scope
17 of, or covered by an existing program, activity or project. The existence of a program, activity
18 or project regardless of the availability of allotment class/es is sufficient for the purpose of
19 augmentation.

20
21 In no case shall a non-existent program, activity or project be funded by augmentation
22 from savings or by the use of an appropriations otherwise in this Act.

23
24 **Section 43. Rules on Modification in the Allotment.** – Modification in the allotment is the
25 limited flexibility given to NGAs to modify or change the allotment within an existing program,
26 activity or project which shall not entail any augmentation of the amount appropriated for the
27 said program, activity or project during budget execution. In the case of programs with
28 several activities and/or projects, modification may only be undertaken within each activity
29 and/or project.

30
31 Modification in the allotment may be undertaken in any of the cases specified in the rules
32 and regulations issued by the DBM to ensure the uniform implementation among the various
33 branches of government, the proper recording of modifications, and the timely submission of
34 reports by all the offices concerned.

35
36
37 **PART V**
38 **FINANCIAL MANAGEMENT**
39

40 **Section 44. General Fund.** – All monies received by NGAs, whether coming from taxes,
41 fees, charges, penalties, income, dividends, interest earnings, loan proceeds, grants,
42 donations, asset sale proceeds and such other receivables, shall accrue to the General
43 Fund and be remitted to the National Treasury, unless otherwise provided by law or
44 stipulated by covering loan or grant agreements. Monies under the General Fund shall be
45 made available to support the requirements of the National Government authorized in an
46 Appropriations Law.

47
48 A Special Account in the General Fund (SAGF) shall be established by law only under
49 exceptional circumstances to record taxes, fees, charges, penalties, income, dividend,
50 interest earnings, grants, and donations collected, earned or received by NGAs for specified
51 purposes. All laws authorizing the establishment of SAGFs shall specify the period of use
52 thereof which shall not exceed three (3) years, or if no period is specified, shall be deemed
53 to be until the fulfilment of the purpose for which the SAGF was authorized or for three

1 years, whichever comes earlier. All interests earned by SAGFs shall accrue to the General
2 Fund. The balance of SAGFs upon their termination shall form part of the General Fund.

3
4 All earmarked revenues with significant inflows, a large portion of which are not or not
5 expected to be programmed for disbursement during the year shall be treated as Trust
6 Funds and recorded as trust receipts. Proceeds from these Trust Funds shall be recorded
7 only as revenue inflow in the General Fund when programmed to be spent for the year.

8
9 The Permanent Committee created under Executive Order No. 292, s. 1987 shall
10 recommend for approval of the President the change in the treatment of existing SAGFs that
11 shall be converted into Trust Funds by virtue of the foregoing. The recording of revenue
12 inflows from these SAGFs shall be governed by the guidelines to be issued by the
13 Permanent Committee.

14
15 **Section 45. Special Funds.** – In exceptional cases when a SAGF is not suitable for the
16 operations of a fund, Special Funds shall be authorized by law and limited to the following:

- 17
18 (a) Trust Fund – constituted from identified revenue sources and other receipts by NGAs
19 or public officials acting as trustees, agents, or administrators for the fulfillment of
20 commitments or accomplishment of specified purposes. Trust Funds shall be
21 deposited in the TSA;
22
23 (b) Revolving Fund – constituted from receipts derived from business-type activities of
24 NGAs to be used for the operating requirements of said business-type activities and
25 as such are considered self-liquidating. Revolving Funds shall be deposited in the
26 TSA or in an Authorized Government Depository Bank (AGDB) upon authority of the
27 National Treasurer; and
28
29 (c) Retained Fund – constituted from taxes, fees, charges, penalties, income, dividends,
30 or interest earnings collected, earned or received by NGAs which are expressly
31 authorized by law to be retained by NGAs and utilized for specified purposes.
32 Retained Funds shall be deposited in the TSA or in an AGDB upon authority of the
33 National Treasurer.

34
35 Notwithstanding the provisions of laws to the contrary, Special Funds may only be
36 established after evaluation by the Permanent Committee, as to their proper category and
37 compliance with the foregoing conditions. Any interest earned by Special Funds shall accrue
38 to said Funds.

39
40 **Section 46. Review by the Permanent Committee.** – The Permanent Committee shall
41 review all existing SAGFs and Special Funds to validate their compliance with the foregoing
42 requirements. Upon evaluation, the Permanent Committee shall recommend for approval of
43 the President the modification and/or termination of said funds as may be necessary.

44
45 It shall likewise review all SAGFs created upon the passage of this Act and may
46 recommend to extend their validity period, but in no case shall the extension exceed three
47 (3) years at any one time, subject to approval of the President.

48
49 The Permanent Committee shall jointly issue guidelines for the establishment, review and
50 evaluation, accounting and reporting, and termination of SAGFs and Special Funds.

51
52 **Section 47. Escrow Fund.** – Escrow Funds are constituted from funds for which the
53 government's legal right to use is contingent upon a future event which may or may not
54 occur. Escrow Funds shall be deposited in the TSA or an AGDB upon authority of the
55 National Treasurer, and shall subsequently be part of the General Fund upon the occurrence

1 of the future contingent event. Any interest earned by an Escrow Fund shall accrue to the
2 said Fund. The amounts under escrow, including interest earned shall form part of the
3 General Fund upon the occurrence of the future contingent event.

4
5 **Section 48. Waiver, Abatement, Refund and Compromise Agreements.** – No public
6 official shall waive, abate, refund, or enter into a compromise agreement on a tax liability or
7 the payment of fees or charges except in accordance with law. All waivers, abatements,
8 refunds or compromise agreements made by an NGA shall be properly accounted for and
9 reported. Refund of taxes and other revenues shall be treated as a reduction in revenue
10 collections.

11
12 **Section 49. Grants.** – NGAs may accept, with prior coordination with DOF, grants, in cash
13 or in kind, from domestic or foreign sources, for purposes relevant to their functions. In the
14 case of grants, in cash or in kind, from governments of foreign countries, their agencies and
15 instrumentalities and international or multilateral institutions or organizations, acceptance
16 thereof shall be subject to the prior clearance and approval by the President or his
17 authorized representative based on the recommendation of the Secretary of Finance.

18
19 The provisions of this Section shall not apply to: (1) any grant received by LGUs or
20 GOCCs, except where the grant is received by them on behalf of the NG; or (2) any grant
21 authorized or covered in accordance with existing law.

22
23 Grants received in kind shall be valued and registered in the proper registry of the
24 National Government.

25
26 **Section 50. Treasury Single Account.** – The TSA refers to the banking arrangement
27 managed by the BTr wherein the government transacts all monies collected, received or
28 paid by NGAs in one bank account or a set of linked bank accounts and gets a consolidated
29 view of its cash position on at least, a daily basis.

30
31 The TSA shall cover remittances, releases or disbursements from the General Fund,
32 SAGFs, Special Funds, and any other fund managed by the BTr, except in any of the
33 following instances:

- 34
35 (a) When monies under the General Fund are placed under investments;
36
37 (b) When the BTr is required to hold foreign currency accounts; or
38
39 (c) When authorized by the Secretary of Finance.
40

41 The BTr, in coordination with NGAs authorized by law to undertake revenue collection
42 and administration, shall make the necessary arrangements with authorized agent banks
43 (AABs) to facilitate the collection and transfer of said revenues to the TSA. AABs shall
44 deposit said collections to TSA within the period and in the manner prescribed by laws, rules
45 and regulations.

46
47 **Section 51. Oversight on Government Bank Accounts.** – Notwithstanding any provision of
48 law to the contrary, the BTr shall undertake any of the following in case of violation of a
49 provision in this Act and guidelines issued on the implementation of the TSA:
50

1 (a) Transfer balances of NGA bank accounts to the TSA;

2
3 (b) Close any NGA bank account; and/or

4
5 (c) Revoke the authority to open any NGA bank account.

6
7 The NGA or GOCC which has opened a bank account, as well as the bank concerned
8 shall promptly disclose information regarding such account to the BTr.

9
10 **Section 52. Treasury Cash Management.** – The BTr shall issue orders for the conduct of
11 cash management including the requirement to provide projections on the timing of future
12 transactions of NGAs taking into consideration that the appropriations law is considered the
13 authority of the agencies to contract out and disburse funds, except for instances provided in
14 the IRR.

15
16 **Section 53. Investments.** – The BTr may invest portions of the funds held in the TSA for
17 such periods as the BTr may deem prudent considering cash management requirements
18 and based on terms and conditions as may be set by the IRR of this Act. Investments are
19 authorized to be made in any of the following:

20
21 (a) Deposit with any highly reputable bank following a selection criteria to be issued by
22 the Secretary of Finance in consultation with the BSP;

23
24 (b) Sovereign-issued securities with an investment grade rating; or

25
26 (c) Other fixed income securities with an AAA credit rating issued by at least two (2)
27 reputable international credit rating agencies acceptable to the Secretary of Finance.
28

29 The BTr may appoint a fund manager as an agent of the National Government to
30 undertake the investment of the funds.

31
32 Interest earned and other income from investments shall accrue to the General Fund,
33 unless otherwise provided by law.

34
35 **Section 54. Management of National Government Borrowings.** – Borrowings by the
36 National Government shall be for any of the following purposes:

- 37
38 1. Financing budget deficits and liquidity shortfalls;
39 2. Refinancing and pre-financing maturing debts;
40 3. Obtaining foreign currency on behalf of the BSP;
41 4. On-lending to an approved entity;
42 5. Financing all sums of money paid to fulfill guarantees;
43 6. Regulating internal monetary conditions should the necessity arise;
44 7. Providing financing to remedy the effects of natural calamities; or
45 8. Defraying expenditures covered by appropriations.

46
47 Borrowing under this Act should adhere to the Fiscal Responsibility Principles and
48 measurable fiscal objectives in the Statement of Fiscal Policy.
49

1 **Section 55. Borrowings by Government -Owned or -Controlled Corporations.** – Before
2 the end of each fiscal year, the Head of a GOCC shall prepare a borrowing program for the
3 following fiscal year which shall support the COB and for the medium term, both of which
4 shall include a full financial plan with the details of the loans, refinancing and repayment that
5 the GOCC intends to take. Said borrowing program, including changes thereon, shall be
6 subject to the approval of the Head of the NGA overseeing the GOCC, and shall be
7 submitted to DOF for information, and shall be published in the concerned GOCC website.

8
9 GOCCs shall seek approval of DOF for their borrowing activities as defined in the IRR.

10
11 Nothing in this Section shall be construed as creating a government guarantee on any
12 borrowing, loans or refinancing and repayment that the GOCC intends to take.

13
14 **Section 56. Local Government Borrowings.** – An LGU may borrow funds from domestic
15 and foreign sources in accordance with the Local Government Code of 1991 or any other
16 applicable law. The financial plan including borrowing program shall be published in the
17 appropriate government website within seven (7) days after the borrowing program has been
18 approved.

19
20 **Section 57. Debt Reporting.** – The DOF, through the BTr, shall ensure that the records
21 include information on the principal, terms of repayment, amounts drawn, interests and
22 service charges accrued, principal and interests paid, and the balance outstanding, and shall
23 make the records available in a timely way to the President, Congress and COA when
24 requested and in accordance with the reporting requirements in this Act.

25
26 Each LGU and GOCC shall maintain records and provide reports to the DOF on loans as
27 required by relevant laws, rules and regulations.

28
29 **Section 58. Guarantees.** – Guarantee, indemnity or security shall be provided to an NGA or
30 a GOCC as provided by law, and subject to the annual guarantee ceiling prescribed in the
31 General Appropriations Law, and upon such terms and conditions as the Secretary of
32 Finance may recommend consistent with relevant laws, rules and regulations. The overall
33 level of guarantee, indemnity or security shall adhere to the Fiscal Responsibility Principles
34 laid down in this Act and the fiscal objectives in the Statement of Fiscal Policy.

35
36 The DOF shall charge a risk-based fee for any guarantee, indemnity, security, relending
37 or similar financial accommodation it may extend to a GOCC.

38
39 In no case shall the National Government be liable for any borrowings by any agency of
40 the government except for explicit guarantees as provided by law.

41
42 **Section 59. Limitation on the Liability of the National Government For Debts of Other**
43 **Entities.** – The National Government shall not be liable for any implied guarantees asserted
44 by any person or entity, but only for explicit guarantees extended in accordance with existing
45 laws, and guarantees in favor of the Government Service Insurance System, Home
46 Development Mutual Fund, Philippine Health Insurance Corporation, and the Social Security
47 System in their respective charters.

48
49 **Section 60. Payments Made for Contingent Liabilities.** – Any money paid by the DOF
50 pursuant to any guarantee, indemnity, or security authorized by law and the expenses
51 associated with the same shall constitute a debt due the National Government from the
52 entity for whose benefit the payment on the guarantee, indemnity, or security was made.
53

1 **Section 61. Information on Contingent Liabilities.** – The DOF shall keep a complete and
2 updated registry of all contingent liabilities of the National Government, and provide the OCG
3 with a report on contingent liabilities as of the fiscal year.
4

5
6 **PART VI**
7 **ACCOUNTABILITY AND REPORTING**
8

9 **Section 62. Financial Management and Internal Control.** – The Head of Agency shall be
10 responsible and accountable for the financial management of the agency which shall include
11 meeting performance targets, controlling costs, mitigating adverse risks to agency
12 operations, and ensuring that budgets are managed with integrity and in compliance with
13 applicable laws. Adequate internal controls shall be ensured and an internal audit function
14 shall be maintained.
15

16 **Section 63. Integrated Financial Management Information System.** – There shall be an
17 integrated financial management information system, which shall be the single portal of all
18 financial transactions and reports to be used by NGAs, GOCCs and LGUs to integrate
19 budgeting, cash management, accounting and auditing processes.
20

21 **Section 64. NGA Annual Plans and Proposed Budgets.** – The Head of each NGA shall
22 produce an Annual Plan which shall have a medium term scope, with details for the following
23 fiscal year, and shall include: information on the strategic priorities for the medium-term,
24 consistent with the Philippine Development Plan; performance information; summary
25 proposed budget including financial forecasts assumptions and highlighting significant
26 capital projects; and other information as required in the IRR, as well as the Budget Call and
27 other related orders from the DBM. The Annual Plan shall be submitted to DBM during the
28 budget preparation process consistent with the timetable and other guidelines in the Budget
29 Call.
30

31 The Annual Plan of a Department shall incorporate the Annual Plans of its attached
32 NGAs and GOCCs subject to guidelines prescribed in the IRR.
33

34 **Section 65. NGA Reporting Requirements.** – For greater transparency and accountability,
35 each Head of an NGA shall:
36

- 37 (a) Submit monthly and quarterly reports on the agency's financial and non-financial
38 performance to the DBM and OCG, not later than thirty (30) days after the end of
39 every month and quarter in the format specified by the DBM and shall publish the
40 same on a government website within the same reglementary period;
41
42 (b) Prepare an Annual Report which shall include year-end financial statements,
43 reporting on non-financial performance compared against the Annual Plan, and other
44 information as required in the IRR; submit the said Report to the DBM, OCG, and
45 Congress no later than six (6) months after the end of the fiscal year; and publish the
46 said Report in a government website no later than seven (7) days after its submission
47 to Congress.
48

49 The monthly, quarterly, and annual reports of a Department shall incorporate the reports
50 of its attached NGAs and GOCCs subject to guidelines prescribed in the IRR.
51

52 **Section 66. Service Agreements.** – The Head of an NGA may enter into a service and/or
53 performance agreement with another agency for the latter to provide services charged
54 against the budget of said principal agency.
55

1 **Section 67. Corporate Operating Budget.** – The Board of Directors or Trustees of a GOCC
2 shall prepare and submit a COB to the Head of the NGA overseeing said GOCC, the DBM,
3 and the DOF, not later than ninety (90) days prior to the commencement of the fiscal year,
4 which shall include, the objectives of the GOCCs and its subsidiaries, the activities to be
5 undertaken, performance targets and risks; forecasts of financial statements for the next
6 three (3) years; and other information as may be required in the IRR.

7
8 The Head of the NGA overseeing said GOCC shall endorse the Board-approved COB to
9 the DBM, for the latter's approval. The Head of a GOCC shall publish the DBM-approved
10 COB of the GOCC on the official website of the Corporation not later than fourteen (14) days
11 after the approval of the COB.

12
13 **Section 68. GOCC Reporting Requirements.** – For greater transparency and
14 accountability, each Head of GOCCs shall:

15
16 (a) Provide quarterly reports on financial and non-financial performance to the DOF,
17 GCG and the DBM, no later than thirty (30) days after the end of the quarter, in the
18 format and time specified by the DOF, GCG and DBM and shall publish it on their
19 official website within the same period; and

20
21 (b) Prepare an Annual Report, which shall include year-end financial statements,
22 reporting on non-financial performance compared against the COB, and other
23 information as required in the IRR; submit the same to the overseeing NGA, DBM,
24 GCG, DOF and Congress no later than six (6) months after the end of the fiscal year;
25 and publish the said Report in a government website no later than seven (7) days
26 after its submission to Congress.

27
28 GOCCs with subsidiaries shall reflect in its quarterly and annual reports the
29 aforementioned required information for the whole corporate group, consistent with
30 guidelines prescribed in the IRR.

31
32 **Section 69. Service Agreement for a GOCC.** – Where GOCCs implement government
33 non-commercial programs, such as housing provision, irrigation and electrification, and
34 receive government funding, a service agreement with the NGA overseeing said GOCC shall
35 specify the terms of delivery of goods or services that the GOCC must provide, and the
36 funds that the government will pay. Program funds shall be under the budget of the NGA
37 overseeing said GOCC.

38
39 **Section 70. Local Government Units.** – The Local Chief Executives (LCEs) shall ensure
40 that adequate internal controls and an internal audit function are maintained.

41
42 The LCEs shall provide financial and non-financial performance information of their
43 respective LGUs to the OCG, DILG, and the BLGF under the DOF, subject to the guidelines
44 to be issued thereon.

45
46 **Section 71. Application of Accounting and Auditing Requirements.** – Any expenditure
47 of public money, including government assets or liabilities incurred by and for the
48 Government regardless of the source of funding, shall be subject to accounting and auditing
49 rules and regulations promulgated by the COA.

50
51 **Section 72. Accounting Standards.** – The OCG shall specify the basis, standards and
52 guidelines for appropriations reporting while the COA shall continue to set the basis,
53 standards and guidelines for financial accounting for use by the NGAs, GOCCs and LGUs.
54

1 The Heads of Agencies shall ensure that full, accurate and proper records are kept for
2 their respective agencies on financial matters and for performance in the production of
3 goods and services.

4
5 The DBM, OCG and COA shall ensure that complete, accurate and appropriate records
6 of the government are kept on both financial and non-financial performances.

7
8
9 **Section 73. Government Consolidated Reporting.** – The OCG shall submit a quarterly
10 report on the consolidated financial performance of the government to the President, which
11 includes information showing performance against the Appropriations Law, not later than
12 sixty (60) days after the end of each quarter. This report shall be published in a government
13 website within seven (7) days after the report is submitted to the President.

14
15 The OCG shall prepare the consolidated annual financial statements, not later than six
16 (6) months after the end of the fiscal year, for submission to the President, Congress and
17 COA.

18
19 **Section 74. Internal Audit Standards.** – The OCG, in coordination with COA, shall specify
20 the standards for internal audit in the NGAs, GOCCs, and LGUs.

21
22
23 **PART VII**
24 **TRANSPARENCY AND PARTICIPATION**

25
26 **Section 75. People's Access to Public Financial Information.** – Before the start of each
27 fiscal year, the DBM shall promulgate a Calendar of Disclosures, and shall publish this on
28 the government website and such calendar shall contain the schedule of release of all
29 budget documents and information required by this Act and its IRR. The DBM shall monitor
30 and periodically report to Congress and the public on the compliance of agencies with the
31 Calendar of Disclosures and other fiscal transparency requirements under this Act and its
32 IRR.

33
34 All documents and reports required to be published by this Act and its IRR shall
35 automatically be made available electronically in a government website. Current and
36 historical data on government revenues, expenditures, and borrowings, shall be made
37 available electronically, in open data format, on a government website, subject to guidelines
38 in the IRR.

39
40 **Section 76. The People's Budget.** – The DBM shall, for every fiscal year, publish citizen-
41 friendly summaries of the following, subject to guidelines and other specifications in the
42 IRR:

- 43
44 (a) The Statement of Fiscal Policy in the year of the President's election and any
45 updates thereafter within thirty (30) days from submission to Congress;
46
47 (b) The Proposed National Budget, to be published in electronic format within thirty (30)
48 days from submission to Congress of the Proposed National Budget;
49
50 (c) The General Appropriations Law, to be published in electronic format in a government
51 website within thirty (30) days from its effectivity; and
52

- 1 (d) The Annual Fiscal Report, to be published in electronic format in a government
2 website within thirty (30) days from submission to Congress;
3

4 **Section 77. People's Participation in the Budget Process.** – The government shall
5 establish and implement suitable participatory budget mechanisms to facilitate the open,
6 inclusive, and meaningful engagement of citizens throughout the budget process—from
7 budget preparation, to legislation, to execution, and to accountability and audit. Such
8 participatory mechanisms may include consultations and partnerships with civil society
9 organizations (CSOs), academics and experts, and other individual and organized
10 stakeholders throughout the annual budget process.
11

12 To aid the empowerment of grassroots organizations and communities in the national
13 budget process, the DBM, DILG, and other relevant agencies shall facilitate a process
14 wherein CSOs, community organizations and LGUs can jointly identify local priority poverty
15 reduction and development needs which will serve as input to the formulation of the
16 Proposed National Budget. Such process shall consider the pursuit of meaningful local
17 devolution and local accountability, as well as the strengthening of regional and local
18 development councils' roles in the national budget process.
19

20 Policies and regulations for the establishment of participatory budgeting mechanisms
21 established by laws shall be formulated and enforced by:
22

- 23 (a) The DBM, together with other relevant agencies of the executive, when it comes to
24 participation in budget preparation, execution, and accountability;
25
26 (b) The House of Representatives and the Senate, through their relevant committees,
27 when it comes to participation in budget legislation; and
28
29 (c) The COA, when it comes to participation in the conduct of audit.
30

31 **PART VIII** 32 **ENFORCEMENT** 33

34
35 **Section 78. Sanctions and Penalties.** – Without prejudice to the provisions of other laws;
36 the following sanctions and liabilities in case of failure to comply with the reporting and
37 posting requirements under this Act, shall be imposed:
38

- 39 (a) The DBM shall not approve any request for release of allotments for items of
40 appropriations covered in the negative list or modification in the allotment nor
41 recommend the use of savings by the President until such time as the non-compliant
42 agency has submitted the report/s required under this Act;
43
44 (b) The COA may disallow any expenditure charged against augmentation using
45 savings, and any expenditure due to modification in the allotment, which were made
46 within the period succeeding the reporting period when the agency failed to comply
47 with the reporting requirements under this Act;
48
49 (c) Failure to report on the income and/or funds retained at the end of a reporting period
50 shall render all disbursements against such income or funds in subsequent reporting
51 periods as void, and will render the responsible official liable under existing laws; and
52

- 1 (d) The Congress may *motu proprio* or upon the request of COA and/or DBM through its
2 appropriate oversight committee compel the head of the non-compliant agency,
3 under pain of contempt, to produce the required report/s and to explain reasons for
4 failure to submit and disclose said report/s.
5

6 Without prejudice to the provisions of other laws:
7

- 8 (a) Every contractual commitment, expenditure or payment authorized or incurred in
9 violation of the provisions of this Act shall be void and shall render the public official
10 and/or employee authorizing or making such payment and every person in collusion
11 with said official or employee shall jointly and severally be held liable to the
12 government for the full amount so paid or received. The public official or employee
13 who knowingly incurs any contractual commitment or authorizes any expenditure in
14 violation of the provisions of this Act or takes part therein shall likewise be removed
15 or dismissed from office, after due notice and hearing, even if no criminal charge is
16 instituted against him;
17
18 (b) Any public official or employee, holding office or employment in a casual, temporary,
19 holdover, permanent or regular capacity, who shall cause the inclusion of fraudulent
20 information in any accountability report, shall be penalized with imprisonment not
21 exceeding five (5) years, or a fine not exceeding One Million Pesos (P1,000,000.00),
22 or both, without prejudice to disallowances that may be made by COA against
23 expenditures related to such fraudulent information, provided, that this fine is
24 reviewed and adjusted periodically to be reasonable;
25
26 (c) A conviction under this Act shall carry with it civil liability, which may either consist of
27 restitution for the damage done or forfeiture in favor of the government of any
28 unwarranted benefit derived from the act or acts in question, or both, at the discretion
29 of the courts, in addition to possible administrative liability; and
30
31 (d) Private individuals who shall conspire with the erring Public Officials or Employees,
32 whether as co-principals, accomplices or accessories, in the commission of any
33 violation of this Act shall be subject to the same penalties as the Public Officials or
34 Employees and shall be tried jointly with them.
35

36 **Section 79. Jurisdiction.** – Actions under this Act shall be cognizable by the courts,
37 tribunals, bodies, agencies or authorities with appropriate jurisdiction under existing laws.
38
39

40 PART IX 41 FINAL PROVISIONS 42

43 **Section 80. Implementing Rules and Regulations.** – The DBM in consultation with the
44 DOF, BTr, NEDA and COA, and in coordination with agencies concerned, shall issue the IRR
45 necessary for the proper implementation of this Act, within ninety (90) days from the
46 effectivity of this Act. The IRR may be amended by the DBM, in coordination with the
47 agencies concerned, as the need arises.
48

1 **Section 81. *Transitory Provisions.*** – The DBM, DOF, BTr, NEDA and COA shall produce
2 and submit within thirty (30) days from promulgation of the IRR, a Transitory Plan for
3 information, to the Joint Congressional Oversight Committee on Public Expenditures to
4 ensure the proper implementation of the provisions of this Act, presenting the Sections that
5 will not be implemented on the passing of this Act and those requiring compliance with
6 certain conditions or the happening of events before the provisions herein may be
7 implemented.

8
9 **Section 82. *Repealing Clause.*** – Any law, presidential decree or issuance, executive order,
10 letter of instruction, administrative order, proclamation, charter, rule or regulation and/or parts
11 thereof contrary to or inconsistent with the provisions of this Act is hereby repealed, modified
12 or amended accordingly.

13
14 **Section 83. *Separability Clause.*** – If for any reason, any section or provision of this Act is
15 declared unconstitutional or invalid, other sections or provisions which are not affected
16 thereby shall continue to be in full force and effect.

17
18 **Section 84. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days following its
19 publication in the Official Gazette or in two (2) newspapers of general circulation.

20
21 Approved,